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10 Francisco. Would the reporter please swear in the
11 witness?

12 DONNA MOREA

13 having been duly sworn, testified as follows:

14 EXAMINATION BY COUNSEL FOR THE DEFENDANT

15 BY MR. CROMPTON:

16 Q. Good morning, thanks for being here. My
17 name is Charlie Crompton. I'm an attorney for
18 Oracle Corporation.

19 A. Good morning.

20 Q. Can you just briefly tell me what your,
21 what your job is at AMS, or CGI/AMS, rather?

22 A. I have a new set of responsibilities
23 starting this week. I am president of CGI/AMS,
24 which is the business, the IT business that CGI
25 does in the United States.

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8 Q. Can you describe what AMS does in
9 government industry?

10 A. Sure. AMS does systems integration and
11 consulting in the government industry. We think
12 of ourselves as transformation agents delivering
13 solutions that improve the efficiency and
14 effectiveness of government.

15 Q. Do you sell software to government
16 agencies?

17 A. Yes.

18 Q. What kind of software?

19 A. We sell financial management software, HR
20 software, tax and revenue software, collections
21 software, CRM software, health and human services
22 software, case management software, environmental
23 compliance software, health care.

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2 Q. Do you -- you sell to both state and local
3 and federal government agencies, is that right?

4 A. Correct.

5 Q. Okay. And do you sell HR software to
6 federal agencies?

7 A. No.

8 Q. Okay. Do you ever compete for federal
9 deals that involve a demand for HR software?

10 A. Rarely.

11 Q. Okay. When you do, how do you meet that
12 demand?

13 A. With a third-party software.

14 Q. Okay. Whose software?

15 A. It's very rare, so I can't even recall a
16 situation.

17 Q. Okay. So do you just abstain from bidding
18 on such deals generally, or do you?

19 A. Generally, yes.

20 Q. Okay. What's the name of your federal
21 product?

22 A. Momentum.

23 Q. Okay. And your state and local product?

24 A. Advantage.

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5 BY MR. CROMPTON:

6 Q. Okay. To state and local governments, you

7 sell the full ERP software offering, is that

8 correct?

9 A. What do you mean by that?

10 Q. Do you know what, do you ever use the term

11 ERP?

12 A. Yes.

13 Q. Okay. What do you understand it to mean?

14 A. Financial management, HR and procurement,

15 generally.

16 Q. And do you sell those three things to

17 state and local governments?

18 A. Yes.

19 Q. Okay. And what's the name of the

20 financial management, HR and procurement software

21 that you sell?

22 A. Advantage.

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25 Q. Does AMS sell its core financial

1 management ERP products to commercial customers?

2 A. No.

3 Q. Does AMS have plans to sell its financial

4 management ERP to commercial customers?

5 A. No.

6 Q. Any past attempt to sell a financial

7 management ERP product to commercial customers?

8 A. Yes, but a very long time ago.

9 Q. And about when was that?

10 A. In the 1980s.

11 Q. And were you involved in that?

12 A. No.

13 Q. Do you know if AMS was successful in

14 selling its financial management to commercial

15 customers?

16 A. AMS developed a product for the oil and

17 gas industry, unique to the oil and gas industry,

18 sold a few. The industry went through tough

19 times, and that business was shut down.

20 Q. And why is it that AMS doesn't sell its

21 financial management ERP product to commercial

22 customers?

23 A. Well, it's kind of a funny question. We

24 sell our product to government because it was

25 built for government and because we have expertise

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1 in government financial management. We do not
2 have a system that was built for the commercial
3 sector, nor do we believe that our system fits in
4 the commercial sector.

5 Q. A moment ago, you were asked about the
6 recent merger with CGI, correct?

7 A. Correct.

8 Q. And one of the questions I believe was
9 posed to you is, if AMS plans to expand its
10 product offering on a global scale, something to
11 that effect, do you remember that?

12 A. I don't remember the specific question.

13 Q. Very early on, when we were talking about
14 the CGI transaction, you were asked what the plan
15 of the, or the purpose behind the transaction was.
16 Do you remember that?

17 A. Correct.

18 Q. And what was your answer?

19 A. The answer was to create global scale in
20 the target industries of CGI, in particular, to
21 get a presence in the U.S., which is the leader,
22 really, in global IT, and to be able to sell, to
23 cross-sell solutions between AMS customers and CGI
24 customers. I think those are the primary reasons.

25 Q. And the target industries of CGI, what are

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1 those?

2 A. Financial services, telecommunications,
3 government, health care, retail and manufacturing.

4 Q. Does CGI have an ERP product, as we've
5 been using that term today?

6 A. Yes, they do.

7 Q. And --

8 A. For the insurance industry.

9 Q. So they have a core financial management
10 product?

11 A. I believe so.

12 Q. You testified just a few moments ago that
13 the, or earlier this morning, that the, that AMS
14 does not have an HR product for federal customers.

15 A. That is correct.

16 Q. Do you have any sales of an HR ERP core
17 product to federal customers?

18 A. Not that I'm aware of.

19 Q. Any sales pending?

20 A. No.

21 Q. Do you have any plans to sell any HR core
22 product to federal customers?

23 A. No.

24 Q. So you have no study at all of AMS
25 analyzing or discussing plans to sell HR to

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1 federal?

2 A. We may have done some analysis, but we
3 have no plans.

4 Q. Okay. When would that analysis have taken
5 place?

6 A. It's peripherally the Mercer analysis.
7 One of the questions it looked at was, would it be
8 necessary for AMS to have an HR offering to remain
9 competitive in the federal financial management
10 marketplace? And the answer was no.

11 Q. And why is that so?

12 A. Because the federal government tended to
13 buy federal financial management solutions
14 separate from HR solutions.

15 Q. And when you were describing the
16 differences between public sector financial
17 management systems and commercial financial
18 management systems, you were describing that as a
19 substantially different product, correct?

20 A. Correct.

21 Q. And is the same true for an HR management
22 system?

23 A. I think to some extent, yes.

24 Q. And how so, how are they different?

25 A. Well, I think the government and federal

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1 processes, particularly the federal government
2 civil service pay system, is very different than,
3 say, what you would see in a typical commercial
4 organization.

5 Q. Currently, AMS has the Advantage HR
6 product, correct?

7 A. Correct.

8 Q. That you sell only to state and local
9 customers?

10 A. Correct.

11 Q. How many new Advantage HR customers have
12 you had in the past year?

13 A. What do you mean by "new?"

14 Q. How many licenses of Advantage HR have you
15 sold in the last year?

16 A. Probably about six or seven.

17 Q. And of those six or seven, how many of
18 those customers were new AMS customers?

19 A. Not previous customers?

20 Q. Right.

21 A. Not --

22 MR. CROMPTON: Objection, vague.

23 THE WITNESS: They were all previous AMS
24 HR customers.

25 BY MR. VANHOOREWEGHE:

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1 Q. So they had a previous version of the

2 Advantage HR product?

3 A. Correct.

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5 Q. Did you, have you retained Gartner to look
6 at your ERP business in the public sector?

7 A. We did.

8 Q. And when was that?

9 A. That was in 2002.

10 Q. All right. And why did you retain Gartner
11 at that time?

12 A. We thought that they would have some good
13 insights on our potential, potential plans to
14 achieve competitive advantage.

15 Q. And did they produce those insights to
16 you?

17 A. They tried.

18 Q. What do you mean, "They tried?"

19 A. They had produced some products for us.

20 Q. Why was it that you thought AMS needed to
21 go out and look at its ERP business in the public
22 sector?

23 A. Well, we had historically had a very
24 strong market share presence, very high win rate,
25 and in fact, what had happened in the recent years

1 was that we were beginning to see a loss of market
2 share. We had been late to the game in developing
3 a web-based solution, and the large-scale
4 commercial ERP vendors, at the same time, began to
5 target the government marketplace.

6 We were losing opportunities to them, and
7 now that we had developed a web-based solution, we
8 wanted to figure out how we could begin to win
9 against them again.

10 Q. You said, used the terms big ERP
11 commercial players. Who are they?

12 A. SAP, PeopleSoft and Oracle.

13 Q. Do you compete at all with Lawson in the
14 federal marketplace?

15 A. In the federal marketplace, no, I don't
16 believe so.

17 Q. In the state and local?

18 A. Occasionally.

19 Q. Have you or anyone under you looked at the
20 comparisons of R&D budget between you and the big
21 ERP commercial players?

22 A. Yes.

23 Q. And what did that analysis produce?

24 A. Well, the analysis is that, of course, the
25 large ERP commercial vendors invest far more

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1 absolute dollars in R&D, you know, an order of
2 magnitude more than we do. But on the other hand,
3 our R&D investment is very targeted on the
4 government space, and we believe that because it
5 is such, it's focused investment, we're able to
6 compete.

7 Q. Do you know in orders of magnitude the
8 difference in the R&D budget?

9 A. 10 times plus.

10 Q. And is continuous investment in R&D
11 necessary to successfully compete in the ERP
12 marketplace?

13 A. Yes.

14 Q. What else is necessary to compete?

15 A. Well, many, many, many things. In
16 particular, what we believe is necessary to
17 compete in the ER space is a deep knowledge of
18 government financial management practice, positive
19 track record and references.

20 Q. Where does continuous investment in R&D
21 fall into this?

22 A. Well, I think it's an indirect. I mean, I
23 think that the, what is really needed to compete
24 is to have products that are technologically
25 current and that provide the functionality that is

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1 needed and that is legislatively current, and so
2 the R&D is a means to that end. The end is to
3 have products that meet the business and technical
4 needs of the buyers.

5 Q. And when you say it's important, important
6 to have products that meet the functional needs of
7 the buyer, are you referring to the specific needs
8 of a, say, a public sector customer?

9 A. Yes.

10 Q. What would it take for AMS to start
11 selling its ERP financial management product into,
12 say, the commercial sector?

13 MR. CROMPTON: Calls for speculation.

14 THE WITNESS: I don't know what it would
15 take, but it's not on the table.

16 BY MR. VANHOOREWEGHE:

17 Q. Because you have no plans to do so?

18 A. We have no plans.

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19 Q. Do you currently have a license from SAP

20 to run financial management systems at AMS?

21 A. I don't know what the status is of that

22 exactly, so I'll tell you what I know. We

23 selected SAP to run, to become the ERP provider

24 for AMS. I believe we entered into a license

25 agreement that could be cancelled, and I'm not

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1 sure if it's cancelled yet or not, but it will be

2 cancelled.

3 Q. Why will you cancel that license?

4 A. Because we got acquired by CGI, which uses

5 a different ERP. They use PeopleSoft and so we

6 will be moving to the PeopleSoft suite.

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10 Q. This license with SAP was for human

11 resources and financial management, or just

12 financial management?

13 A. Both, it was for both.

14 Q. And when you start implementing

15 PeopleSoft, will it be for financial management,

16 or both human resources and financial management?

17 A. I believe it will be for both.

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